



Law Offices of Bennet & Bennet, PLLC

Maryland

6124 MacArthur Boulevard
Bethesda, Maryland 20816
Tel: (202) 371-1500
Fax: (202) 371-1558
www.bennetlaw.com

District of Columbia

5185 MacArthur Boulevard, NW, Suite 729
Washington, DC 20016

Caressa D. Bennet
Michael R. Bennet
Marjorie G. Spivak*
Howard S. Shapiro
Daryl A. Zakov^

* Admitted in DC & PA Only
^Admitted in DC & FL Only

Robert A. Silverman
Anthony K. Veach*
Erin P. Fitzgerald
Of Counsel
Tara B. Shostek

*Admitted in DC & WA Only

June 17, 2015

Via ECFS

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: EX PARTE NOTICE

WC Docket No. 10-90, *Connect America Fund*

Dear Ms. Dortch:

On June 15, 2015, Shawn Hanson, CEO, and Kelley Wells, Regulatory Affairs Manager, of Panhandle Telephone Cooperative, Inc. (“PTCI”), along with Chad Duval of Moss Adams LLP, and the undersigned (collectively, the “PTCI Representatives”) held separate meetings with Nick Degani, wireline legal advisor to Commissioner Pai, and Travis Litman, legal advisor to Commissioner Rosenworcel. During each meeting, the PTCI Representatives explained how a flaw in the Federal Communications Commission’s (“FCC” or “Commission”) Alternative Connect America Cost Model (“A-CAM”) negatively impacts the amount of high-cost support that is calculated for PTCI. The PTCI Representatives also discussed various issues related to long-term universal service reform for rate-of-return incumbent local exchange carriers (“ILECs”). The attached presentation was distributed to meeting attendees.

PTCI’s Service Territory and Fixed Wireless Broadband Service

To begin the meeting, the PTCI Representatives described the characteristics of PTCI’s 6,327 square mile ILEC service area which encompasses the entire panhandle region of Oklahoma.¹ The three counties that make up PTCI’s service area – Cimarron, Texas, and Beaver – are considered high-cost and each generally has a low population density. Cimarron County has a population density of .74 persons per square mile, which, if it were located in Alaska, would rank it roughly 12 - 15 out of 29 Alaska counties in terms of population density.²

The PTCI Representatives explained that PTCI provides broadband Internet access service to residential and business customers using a number of different technologies:

¹ PTCI also offers broadband and voice services on a competitive basis through a wholly-owned subsidiary in parts of the Texas panhandle.

² See Attachment, Alaska Population Density County Rank.

traditional copper plant, fiber, co-axial cable (cable modem service), and fixed wireless. They further explained that over 900 of PTCI's broadband subscribers are served via fixed wireless, which utilizes PTCI's 700 MHz licensed spectrum. These subscribers are all located outside of towns or population centers. Wireless local loop technology is used to provide voice service to subscribers that are served by fixed wireless. PTCI began deploying its fixed wireless service in 2012 in order to meet the Commission's minimum broadband speeds of 4 Mbps downstream and 1 Mbps upstream. However, Mr. Hanson stressed that PTCI has always considered its fixed wireless service to be an "interim solution." Mr. Hanson stated that PTCI is very supportive of the FCC's decision to base the A-CAM's modeled broadband network on a "green-field" fiber to the premise (FTTP) network.³ The PTCI Representatives also explained that PTCI offers its fixed wireless broadband service as an ILEC, rather than through a subsidiary. PTCI reports its fixed wireless broadband service and wireless local loop on FCC Form 477 as services that are being provided through the ILEC.

The A-CAM Incorrectly Disqualifies 2,377 Census Blocks in PTCI's Service Area

The PTCI Representatives explained that the FCC's A-CAM defines PTCI's fixed wireless broadband and wireless local loop service as service that is being provided by a qualifying competitor. As a result, the A-CAM disqualifies 2,377 census blocks and 5,909 locations in PTCI's service area from being eligible to receive model support. PTCI then recounted the laborious process that it endured to determine how and why the A-CAM erroneously declares the 2,377 census blocks as ineligible for support.

As it currently stands, the A-CAM is unable to identify competitive carriers that qualify as unsubsidized competitors within PTCI's service area (or within any ILEC's service area). However, the A-CAM is able to provide a list of service providers that *are not* qualifying competitors. Thus, in order for PTCI to determine which, if any, carriers meet the criteria of a qualifying competitor within PTCI's service area, PTCI had to search for broadband providers that offer 10/1 Mbps or greater broadband service using the National Broadband Map. PTCI then had to determine whether those providers also offer voice service in addition to broadband. Ultimately, PTCI was unable to successfully identify any qualifying competitors within its service area. Through process of elimination, PTCI determined that the A-CAM incorrectly identifies PTCI's own fixed wireless broadband service as service that is being provided by a qualifying competitor.

The Need for a "Backstop" to Address A-CAM Flaws

The PTCI Representatives stressed the need for a "backstop" to ensure that any errors within the model can be properly addressed before the release of the final version of the A-CAM. The PTCI Representatives suggested that the Commission consider a process where an ILEC could address instances where it believes census blocks within its service area have been incorrectly classified as served by a qualifying competitor. Implementing an A-CAM challenge

³ The PTCI Representatives noted their support for the use of Active Ethernet in rural areas instead of a Gigabit-Passive-Optical-Network (GPON) because GPON is generally limited to a distance of 10-20 km from the Central Office or remote, while Active Ethernet can be deployed up to 80 km (4 times the distance) from its serving location. See Attachment, Active Ethernet -Vs- GPON.

process that is limited to such served-to-unserved challenges could provide the necessary backstop needed to protect against the type of A-CAM flaw that has been identified by PTCI.

Voluntary Path to Model-Based Support

The PTCI Representatives discussed the many factors that PTCI would have to examine when considering whether to move to model-based support, if all census blocks in PTCI's service area are ultimately correctly declared eligible for support. Mr. Hanson noted that the model would provide a definitive level of support over at least a 10-year period, and explained that long-term certainty is needed when planning network investment. The PTCI Representatives also discussed whether the certainty provided by the model would be enough of an incentive for a carrier to move to the model even if it means experiencing a decrease in annual universal service support. Mr. Hanson noted that under the current best-case scenario, the A-CAM would still reduce PTCI's annual support by over \$2 million after the fixed wireless competition issue is resolved, which is a reduction that is not manageable.

Pursuant to Section 1.1206 of the FCC's rules, this ex parte is being filed electronically with the Commission using the electronic comment filing system.

Respectfully submitted,

/s/ Anthony K. Veach

By:

Anthony K. Veach
Bennet & Bennet, PLLC
6124 MacArthur Boulevard
Bethesda, MD 20816
tveach@bennetlaw.com

Counsel for PTCI

Attachment

cc (via Email): Nick Degani
Travis Litman

Panhandle Telephone Cooperative, Inc. (PTCI)

A-CAM

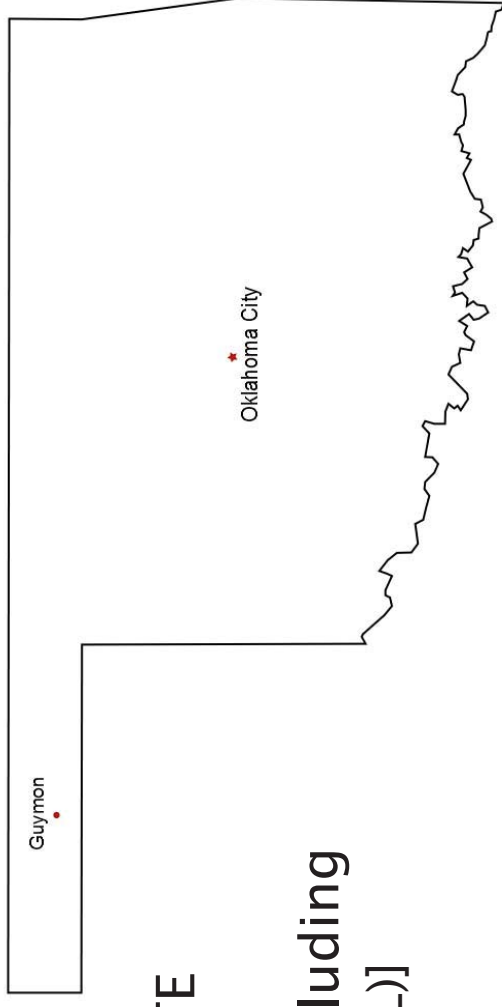
Ex Parte

June 15, 2015



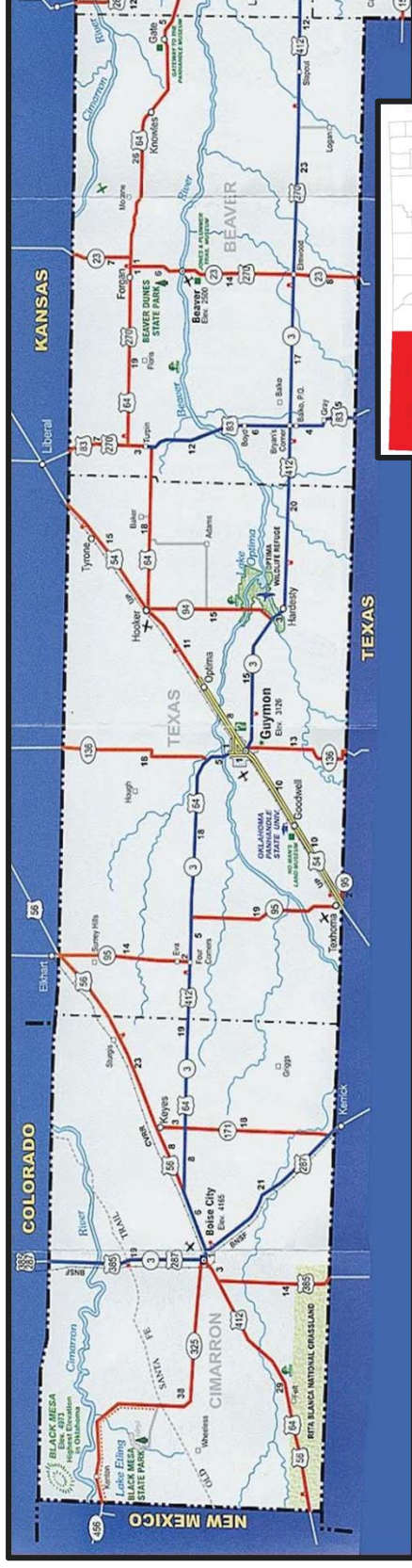
PTCI Introduction

- ▶ Established in 1955
- ▶ Headquarters in Guymon, OK
 - ILEC in Oklahoma Panhandle
 - CLEC in Texas Panhandle
- ▶ Multiple Service Provider
 - Broadband (BB)
 - Wired BB
 - Fixed Wireless BB – LTE
 - Cellular
 - Landline Telephone [including Wireless Local Loop (WLL)]
 - Video



PTCI Introduction

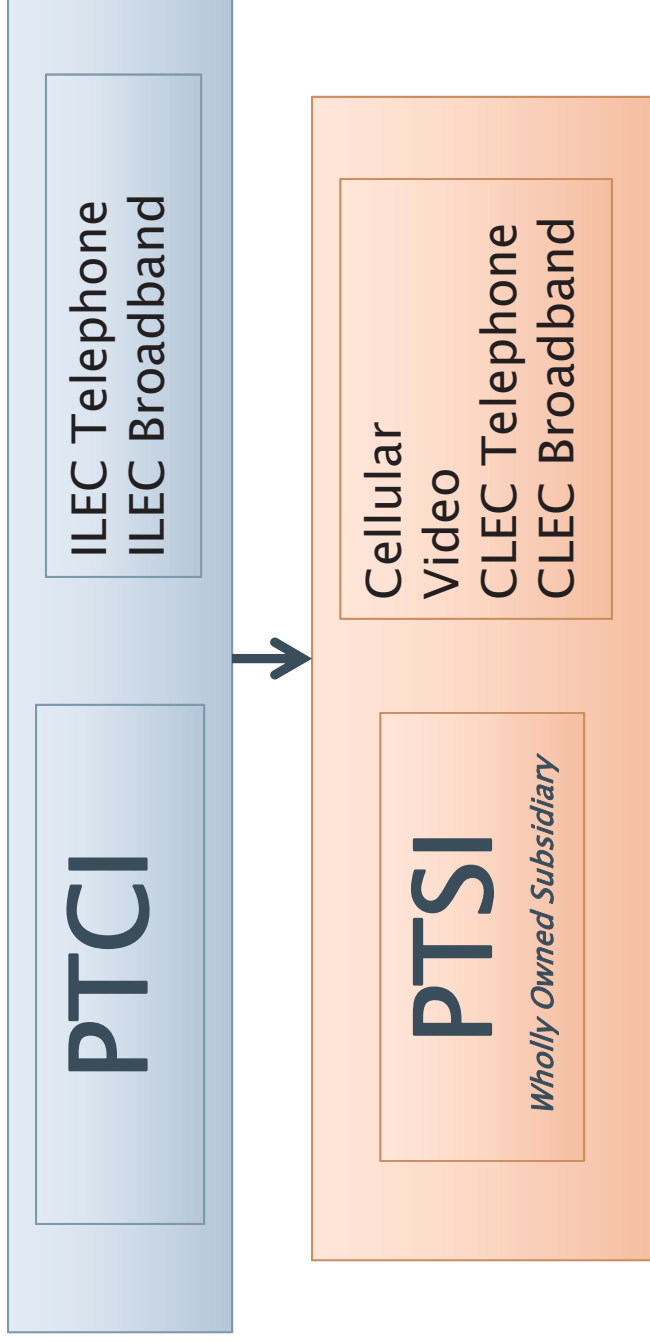
- ▶ Panhandle Telephone Cooperative, Inc. (PTCI)
 - Serving Oklahoma Panhandle area for 60 years
 - Cimarron, Texas & Beaver Counties (plus minor overlap into TX, NM & CO)
 - ▶ 6327 square miles
 - ▶ Per A-CAM: # of Census Blocks: 4,247; Number of Locations: 16,268
 - ▶ Larger Cities/Towns: Beaver, Boise City, Goodwell, Guymon, Hardesty, Hooker, Keyes, Turpin, Tyrone



Panhandle Census Statistics

	<u>Population</u>	<u>Area (mi²)</u>	<u>Population Density</u>
Cimarron County			
TOTAL	1841	2475	0.743838 people per mi ²
Keyes	324	0.4	
Boise City	1266	1.3	
Felt	93	0.53	
<i>w/o population centers</i>	<i>158</i>	<i>2472.77</i>	<i>0.063896 people per mi²</i>
Texas County			
TOTAL	20640	2049	10.07321 people per mi ²
Guymon	11442	7.3	
Hooker	1918	0.9	
Tyrone	762	0.4	
Hardesty	212	0.2	
Optima	356	0.4	
Texhoma	926	0.6	
<i>w/o population centers</i>	<i>5024</i>	<i>2039.2</i>	<i>2.463711 people per mi²</i>
Beaver County			
TOTAL	5636	1818	3.10011 people per mi ²
Gate	93	0.3	
Knowles	11	0.2	
Forgan	547	0.4	
Beaver	1515	1.2	
Turpin	467	1	
<i>w/o population centers</i>	<i>3003</i>	<i>1814.9</i>	<i>1.654637 people per mi²</i>
OKLAHOMA PANHANDLE			
TOTAL	28117	6342	4.433459 people per mi ²
<i>w/o Population Centers</i>	<i>8185</i>	<i>6326.87</i>	<i>1.293689 people per mi²</i>

PTCI's Structure



ILEC BB Notes:

- All Retail BB imputes Wholesale DSL Rate
- Fixed Wireless BB includes WLL to provide voice
- Fixed Wireless BB meets 10/1 BB definition (current technology allows for 12/1)
- Fixed Wireless BB costs included in "legacy" support calculations
- Fixed Wireless BB reported by ILEC on Form 477

PTCI's Total Subscriber Count

POTS Subscribers	<u>ILEC</u>	
	10,772	
	<u>CLEC</u>	
	3,404	
	TOTAL	14,176

Wired Broadband Subscribers	<u>ILEC</u>	
	7,019	
	<u>CLEC</u>	
	2,939	
	TOTAL	9,958

Fixed Wireless Broadband Subscribers	<u>ILEC</u>	
	914	
	<u>CLEC</u>	
	273	
	TOTAL	1,187

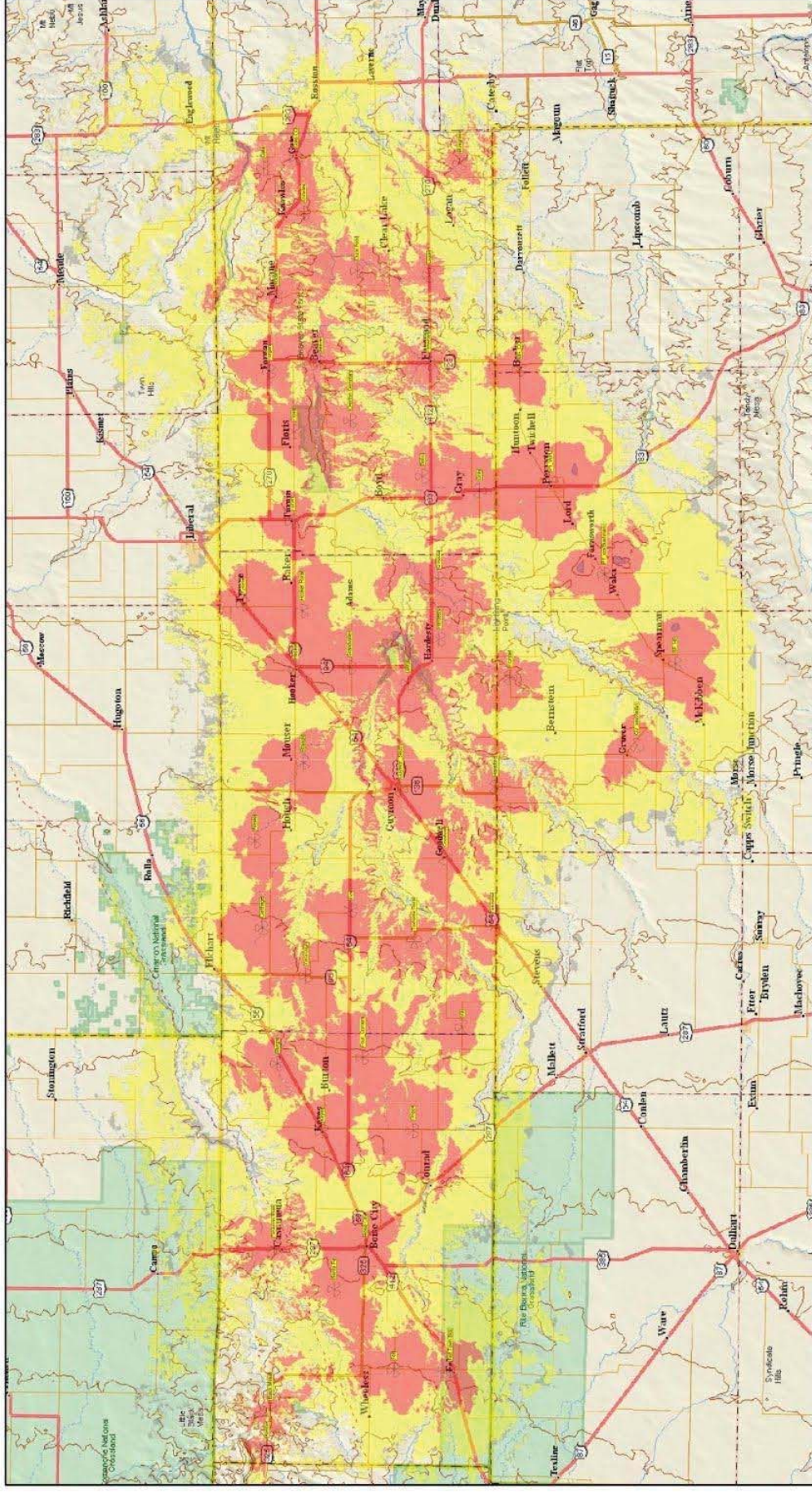
Cellular Subscribers	6,858

Video Subscribers	4,405

Total Broadband Subscribers
11,145

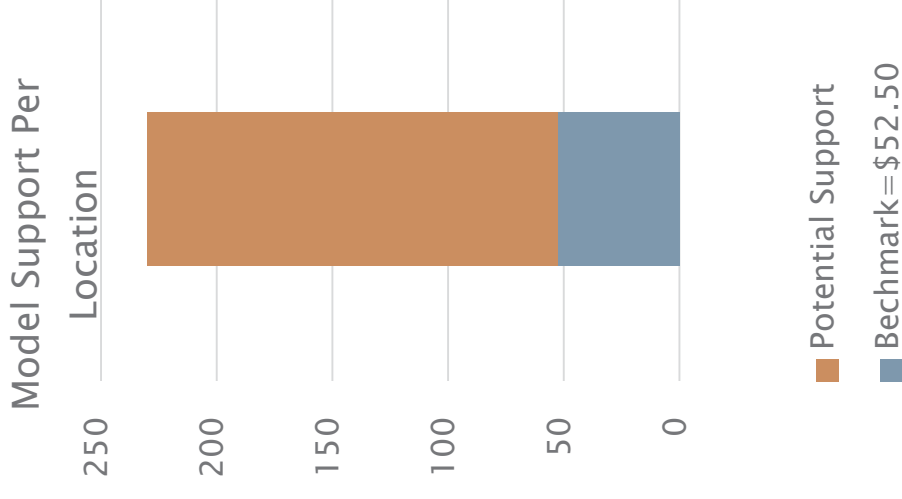
RGU's = 36,584

PTCI's LTE Footprint



Calculation of Support: A-CAM Proposal 1.3

- Assumes benchmark of \$52.50 per location for broadband service – costs over this benchmark may qualify for support (*disqualifies 2,073 census blocks and 12,059 locations*)
- Support amount is capped at \$230 per location
- Costs over \$230 per location are not fully supported; yet as a carrier of last resort, we have a requirement to serve extremely high cost areas (*affects 1,102 census blocks and 1,674 locations*)
- Support is disqualified for census blocks served by an unsubsidized cable or fixed wireless competitor
- Support budget constraint = \$1.625B (\$2.0B less 0.375B CAF/ICC)
- 362 of the 615 SAC's gaining support increase from 100% to over 1775%



A-CAM Proposal 1.3 Results – Oklahoma

State	Rate of Return SAC	Total Rate of Return Locations	Total Number of Rate of Return Census Blocks Receiving Model-Based Funding	Total Number of Locations in Column F Census Blocks Lacking 10/1	Total Rate of Return Carrier Model-Based Support	Annual High-Cost Claims 2014 Total Support less CAF	ICC Support	Difference
OK	TOTAL	234,256	72,293	47,392	66,274,342	73,300,745		(7,026,403)

- 14 study areas are winners
- 20 study areas are losers
- Range of study area difference in model-based support vs current support: (\$8.4M) to \$16.9M or –93% to 304%

State	Rate of Return SAC	Total Rate of Return Locations	Total Number of Rate of Return Census Blocks Receiving Model-Based Funding	Total Number of Locations in Column F Census Blocks Lacking 10/1	Total Rate of Return Carrier Model-Based Support	Annual High-Cost Claims 2014 Total Support less CAF	ICC Support	Difference
OK	432016	16,268	328	272	642,320	9,031,995		(8,389,675)
OK	432018	62,252	17,283	13,817	22,483,993	5,565,534		16,918,459

Reasons for 93% Reduction Under Current Version of A-CAM

- ▶ A-CAM views PTCI's Fixed Wireless BB & WLL from Form 477 as Competitive Overlap
- ▶ A-CAM disqualifies 2,378 census blocks and 5,911 locations as a result of the Competitive Overlap
- ▶ Difficult to find a list of WISPs that are unsubsidized for our service area



Estimated Support if Competitive Overlap is Corrected

- ▶ Model based support would rise from \$0.6M to \$7.1M
- ▶ Still below Legacy Support due to Extremely High Cost census blocks (predominately Cimarron County)
- ▶ Cimarron County is less dense than more than approximately half of the counties in the State of Alaska
- ▶ PTCI would need to have some certainty regarding Remote Areas Fund dollars for extremely high cost census blocks before it could accept model based support based on per line cap of \$230

Conclusions

- ▶ Largest flaw that prohibits PTCI consideration of A-CAM is Competitive Overlap by its own Fixed Wireless Broadband/WLL solution
- ▶ Some form of challenge process is required to weed out bogus Form 477 representations that may disqualify legitimate census blocks
- ▶ 10/1 Definition of minimum acceptable BB speed should not be the threshold for an unsubsidized competitor presence to disqualify support when the definition has changed frequently and will continue to increase rapidly
- ▶ June 30, 2014 Form 477 data is stale; Model based support should use the latest data
 - Form 477 should be modified to include regulated telco Wireless BB

Other Flaws & Discrepancies

- ▶ Other Flaws
 - A-CAM Technology Assumptions
 - Active Ethernet vs. GPON
 - 67% of all study areas either up or down at least 50%
 - Middle Mile
- ▶ Discrepancies
 - USAC Disbursements
 - Census Block Counts



Contact Information

Shawn Hanson, CEO

shawn.hanson@ptci.net

580-468-2180

Kelley Wells, Regulatory Affairs Manager

kelly.wells@ptci.net

580-468-2179

www.ptci.net

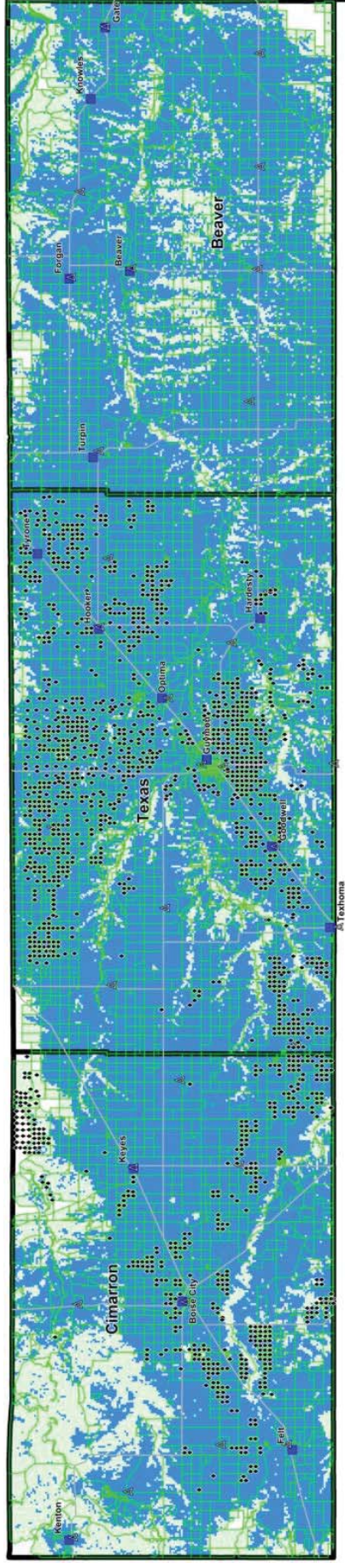
Chad Duval, Principal-Moss Adams LLP

chad.duval@mossadams.com

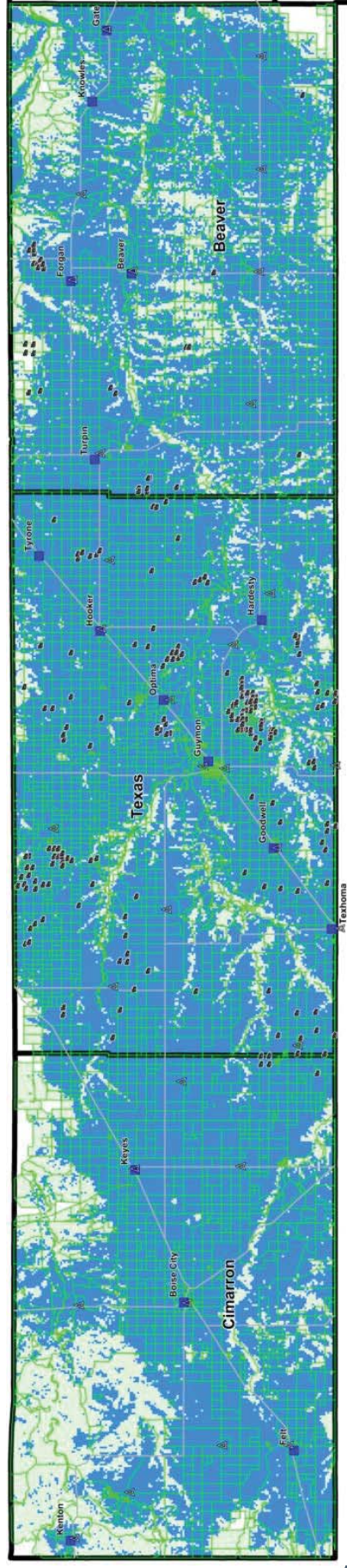
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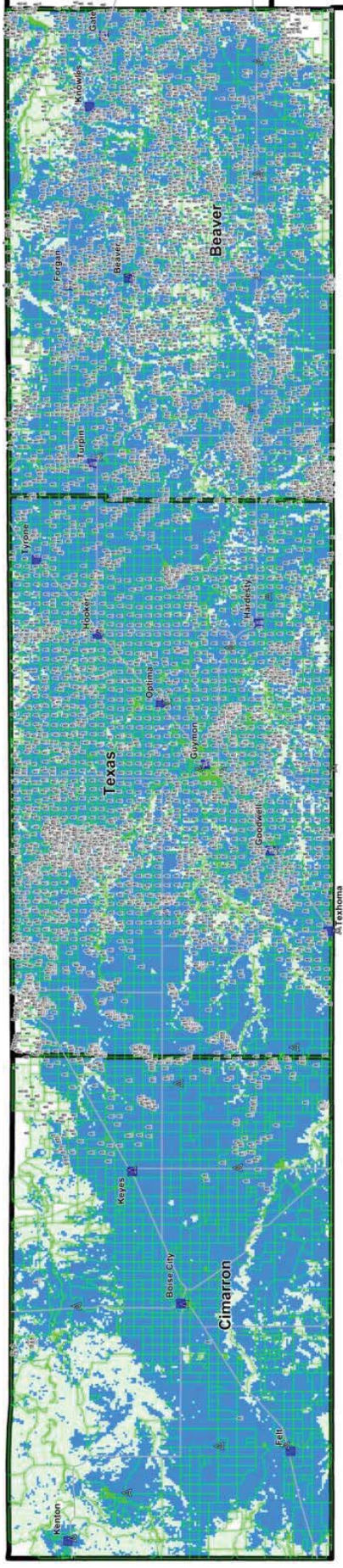
Center Pivot Irrigation



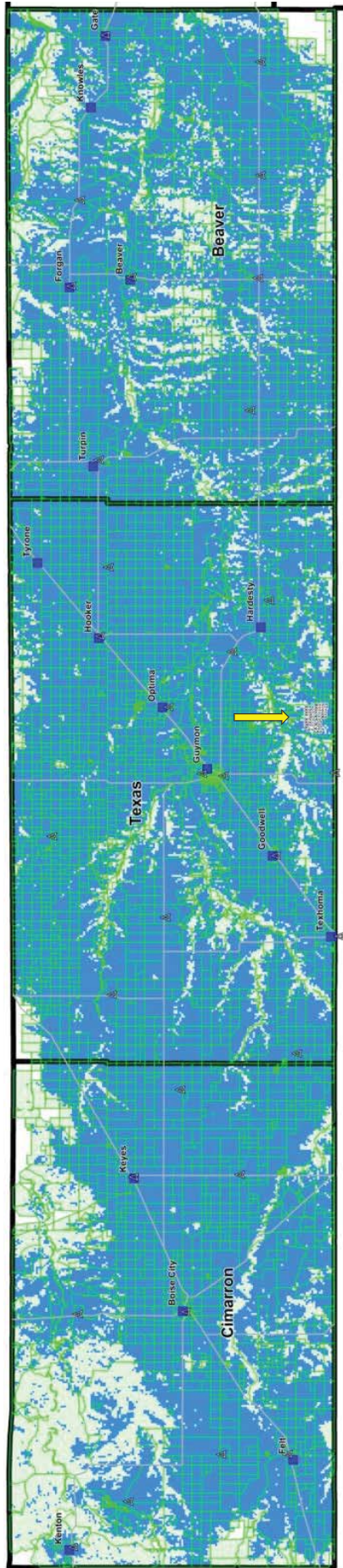
Hog Farms



Wells – Oil & Gas Industry

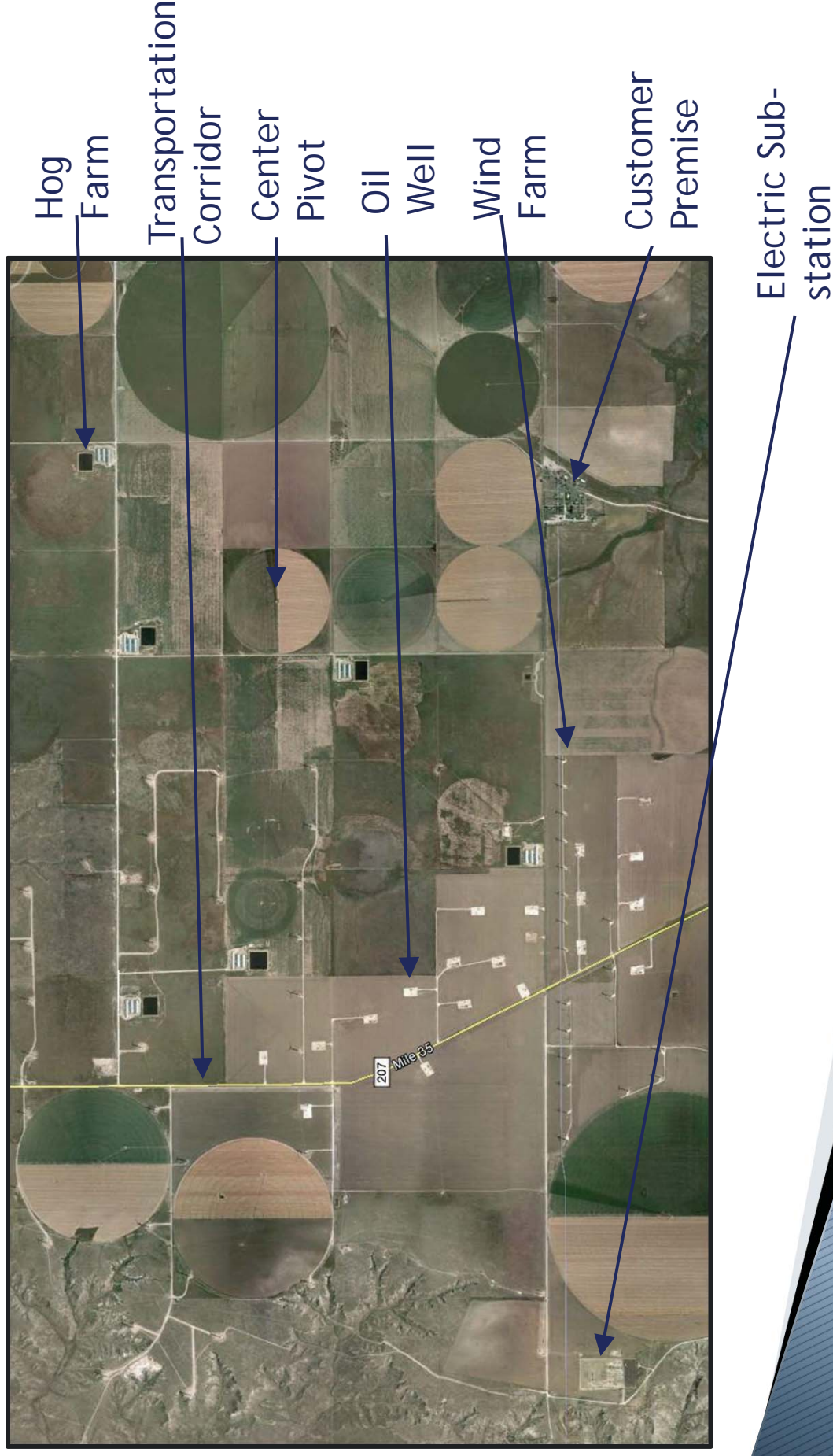


Wind Farms



Snap Shot of the Panhandle

(approx 18.5 mi²)



Alaska Population Density County Rank

Rank	Population Density	County / Population
1.	148.8/sq mi	Anchorage, AK / 291,826
2.	13.1/sq mi	Fairbanks North Star, AK / 97,581
3.	9.6/sq mi	Juneau, AK / 31,275
4.	3.5/sq mi	Matanuska Susitna, AK / 88,995
5.	2.2/sq mi	Kenai Peninsula, AK / 55,400
6.	2.1/sq mi	Skagway, AK / 968
7.	2.0/sq mi	Ketchikan Gateway, AK / 13,477
8.	1.8/sq mi	Sitka, AK / 8,881
9.	1.1/sq mi	Kodiak Island, AK / 13,592
10.	1.1/sq mi	Bristol Bay, AK / 997
11.	0.9/sq mi	Haines, AK / 2,508
12.	0.7/sq mi	Prince Of Wales Hyder, AK / 5,559
13.	0.7/sq mi	Wrangell, AK / 2,369
14.	0.7/sq mi	Petersburg, AK / 3,815
15.	0.4/sq mi	Aleutians West, AK / 5,561
16.	0.4/sq mi	Wade Hampton, AK / 7,459
17.	0.4/sq mi	Bethel, AK / 17,013
18.	0.3/sq mi	Nome, AK / 9,492
19.	0.3/sq mi	Southeast Fairbanks, AK / 7,029
20.	0.2/sq mi	Valdez Cordova, AK / 9,636
21.	0.2/sq mi	Dillingham, AK / 4,847
22.	0.2/sq mi	Aleutians East, AK / 3,141

23.	0.2/sq mi	Hoonah Angoon, AK / 2,150
24.	0.2/sq mi	Northwest Arctic, AK / 7,523
25.	0.1/sq mi	Denali, AK / 1,826
26.	0.1/sq mi	North Slope, AK / 9,430
27.	0.1/sq mi	Yakutat, AK / 662
28.	0.0/sq mi	Lake And Peninsula, AK / 1,631
29.	0.0/sq mi	Yukon Koyukuk, AK / 5,588

Active Ethernet -Vs- GPON

Active Ethernet has dedicated bandwidth to each subscriber that can provide full bi-directional bandwidth. Gigabit-Passive-Optical-Network (GPON) uses a shared medium to supply bandwidth through a splitter in the field. It is our opinion, with the demands for bandwidth and its associated rapid growth, that Active Ethernet is the way to go on a new deployment of Fiber-to-the-Home (FTTH). A few things driving this growth are data, over the top (OTT) video, home-security, and IPTV (4K TV will need about 20Mb per channel, and 8K TV is in development).

With Active Ethernet there are no unmanaged splitters in the field. This allows trouble shooting on a one-to-one basis with the customer. Also, you can make changes to the plant and equipment without affecting more than one customer at a time. With GPON, changes to the plant can affect all subscribers whose connection passes through a splitter, which can be up to 64 customers at a time.

GPON will generally work out to a distance of 10-20km from the Central Office or remote (serving equipment), while Active Ethernet can be deployed up to 80km (4 times the distance) from its serving location. In a rural setting, such as the one PTCI operates in, the additional working distance from the serving location is essential to deploying FTTH (or Fiber-to-the-Farm) where, at times, there are great distances between customers in different directions from the serving equipment.

When building out a FTTH project, the cost of construction is not much more for Active Ethernet due to the fact that the price of fiber cable has come way down over the past few years. Also, the cost of constructing the fiber to each home (drop cable) is the same whether it is Active Ethernet or GPON. The difference is that where the splitters are usually placed for a GPON system, on an Active system you can deploy hardened FTTH equipment in the field.

With Active Ethernet, hardened electronics are deployed in the field, giving you the ability to build redundancy into your network, and helping you get closer to the goal of “five nines” (99.999%) of network reliability. This can be accomplished by placing the field electronics into a fiber ring network. This allows one side of the fiber ring cable that feeds the equipment to be cut, while the redundant path (ring) will take over, avoiding an outage. Repairs can be made without the customer ever knowing about the cut fiber. An additional advantage of Active Ethernet is that if a remote location fails, there are fewer customers affected due to the number of customers being served from the smaller locations.